

EXHIBIT D

ALBANY HEALTHCARE COSTS

The Effect on the Local Economy

The Effect on the Local Economy

CACH
P.O. BOX 72451
Albany, GA 31708

ALBANY HEALTHCARE COSTS

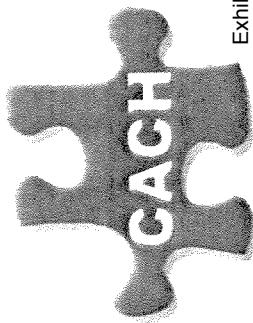
The Effect on the Local Economy



The missing piece of the Albany Healthcare puzzle

Guidelines for Affordable and Competitive Healthcare

Exhibit D 1 of 6



Coalition for Affordable and Competitive Healthcare

The Coalition for Affordable and Competitive Healthcare (CACH) is concerned about the economic future of Southwest Georgia. We recognize that the economic health of our community depends on the growth and sustenance of our local businesses and industries.

Consider what would happen if local businesses and industries faced unusually higher costs just because they were located in Southwest Georgia. What kind of economic disadvantage would our local businesses and industries face if the cost of producing their products and services were higher here than they were in similar facilities within their corporations? What if the price of raw materials was higher for our local business and industries in comparison to other similar facilities located in other areas of the country? Would these differences help or hinder the expansion, growth, and stability of the local business and industries that provide the jobs to create our local economic strength? What if the cost of health care was higher for our local business and industries? How might that affect our local businesses and industries?

The mission of CACH is to create an environment which promotes high quality, competitive and affordable healthcare for the people of Southwest Georgia in order to promote, sustain and grow the businesses and industries that provide the jobs which keep our region economically strong.

We believe that CACH provides the missing piece in the Albany Healthcare puzzle, namely how much we pay for healthcare and the effect these costs have on the long-term economic health of our community.



The missing piece of the Albany Healthcare puzzle

Table of Contents

1	Jobs are the heart of the economy	2
	Albany is not competitive.....	3
2	Is there a problem with Albany's Healthcare Costs?	3
	Actual data.....	3
	Comparison to other plant operations nationwide...3	
	Comparison to other manufacturing in the South...3	
	What the data means.....	4
3	High Healthcare Costs Affects All of Us	4
	Insurance.....	4
	Decreased take-home pay.....	5
	Bankruptcy.....	5
4	How to fix it?	5
	Create competition.....	5
	Increase quality.....	5
	Increase choice.....	5
	Change CON.....	5

Albany Healthcare Costs, The Effect on the Local Economy

© Coalition for Affordable and Competitive Healthcare

This work is the result of a collaborative effort of three major employers in Albany, Georgia and citizens concerned about the high cost of healthcare and the effect those costs may have on the future economic health of our region.

Exhibit D 2 of 6

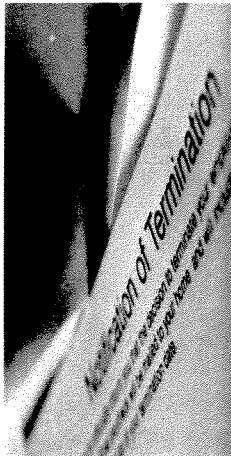
1 Jobs are the heart of the economy

The health of our local economy depends on the jobs created by local businesses, and in turn, the health of the local businesses and industries depends on their ability to compete for work within their corporation based upon their cost to produce. Generally speaking, in most companies, those facilities with the lowest production costs are the first facilities considered for the new products, expansions and growth. Growth of our existing

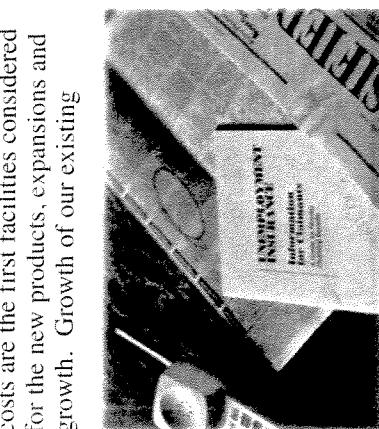
The economy is based on people working, buying and selling products and services. It's people making money to provide for their families. A healthy economy means that there are jobs for the people who need them and there is a good environment for businesses growth. It is important that communities do everything they can to maintain a healthy environment for businesses to create jobs that help drive a healthy economy. The Coalition for Affordable and Competitive Healthcare (CACH) was formed to create a healthy and sustainable environment for businesses.

Recently, another group concerned with the long term economic health of our community rallied to save the Albany Marine Corps Logistics Base from closure during the last round of the Department of Defense's Base Realignment and Closure.

CACH is similarly focused on maintaining the economic health of the community by ensuring that healthcare costs in our region do not adversely affect employers' decisions to start, grow and thrive in Southwest Georgia.



2 Is there a problem with Albany's Healthcare costs?



Three of Albany's largest employers agree that local healthcare costs are higher here than at their other major manufacturing sites and collected data from 2004 to support that claim. Excluding dental and prescription drug coverage, our largest employers paid \$7,630 per employee per year for healthcare in Albany, GA in 2004. That was \$1,400 more per employee per year than the collective national average of their employees. When compared to data collected from Ingenuity reports for the Industry and Manufacturing workers in the South, the difference between healthcare costs in Albany and other southern U.S. markets jumps to \$2,300 per employee per year.

businesses and industries is a good thing for the community because it creates more jobs. More jobs mean more dollars for our community. As our local businesses and industries grow, so also grows the community.

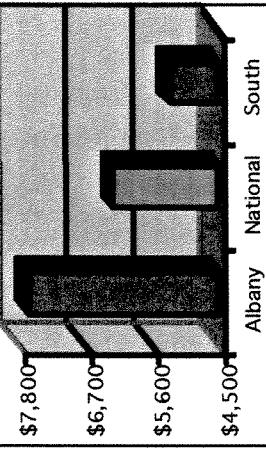
The management of our local businesses are responsible to do everything they can do to keep their costs competitive other facilities in their systems. Several of our largest businesses came together regarding the high cost of healthcare in Southwest Georgia. These costs are impacting our local businesses and industries more significantly here in Albany than elsewhere in the country; thus making our hometown businesses and industries less competitive. When our industries aren't competitive; Albany is not competitive.



The healthcare cost data analysis reveals more than just high costs:

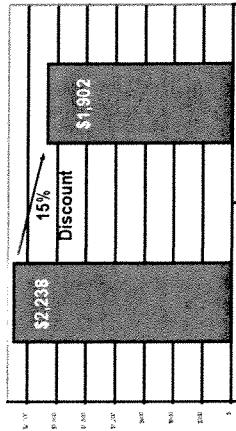
- On average, it cost our local industries \$860 more per employee for hospital inpatient services than similar services provided elsewhere in the South.
- On the average, it cost our local industries \$1,800 more per employee for outpatient charges than similar charges elsewhere in the South.
- Surprisingly, it costs our local industries \$82 less per employee for physician office visits than similar physician office visits in the South.
- All total, our three largest industries paid more than \$8,500,000 extra per year for healthcare here in Albany when they compare similar services provided elsewhere in the South.
- While the national rate of medical inflation increased at a rate of 7.6% in 2004, the rate of inflation for Albany industries was more than double at over 17% in 2004.

These numbers are staggering and reveal a healthcare system in Albany that is out of control and out of sync with the rest of the nation. When we compare our local industrial operations with their operations in other cities, we find that the problem is not related to over use of hospitals and emergency rooms, not related to the age of employees and not related to the life styles choices of their employees. The difference is the pricing of healthcare in Southwest Georgia.



Hospitals are always the big ticket item in any healthcare analysis and Albany is no different. In the past, when Albany hospital pricing has been studied, the analysis focused on hospital "charges." However, hospitals' "charges" do not reveal the true cost of medical care for patients covered under healthcare plans. Healthcare plans negotiate discounts for their customers and these discounts reveal the actual "cost" of healthcare. It is similar to the price of a new car, where there is a sticker price and then

3 High Healthcare Costs Affect all of us



there is the price you pay after incentive discounts and rebates have been factored in. This reveals the real cost of the car. What people really pay for their health care services is of importance to employers and patients.

Part of the challenge for our industries is the minimal healthcare competition in Albany. Because there is very little competition, the discounts negotiated with healthcare providers is very small, which means that the cost of healthcare for people and industries in Albany is very high when compared to other parts of the country. Although data was based on three of our largest employers, it is reasonable to expect that the other businesses are facing similar healthcare costs. The absence of competition in the healthcare market has created a healthcare system that does not respond to the financial interests of the community.

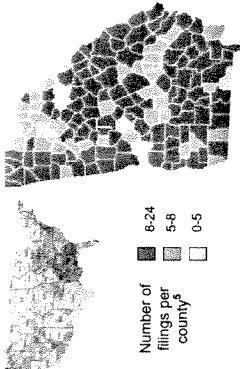
In order to continue growing and prospering, Southwest Georgia must be competitive meaning that the current and future employers must see the financial advantage of locating and growing here in Albany. Healthcare is one of the concerns of an employer located or considering locating in Albany. If our health care costs are out of line with other areas of the country where new business is considering for growth and development, the chances of Albany being the city of choice is significantly reduced.



Increased premiums, co-pays, deductibles, in/out of network costing strategies, and cost sharing are all methods that help increase employee involvement in their own healthcare and to reduce costs. These shared expenses have an indirect affect on the local economy since every dollar that employees spend on their healthcare means that there are fewer dollars to spend on discretionary spending. High healthcare costs adversely affect our local economy!

Even employees with "good" health care plans are being forced to pay for more of their healthcare costs. And it is more than just healthcare premiums, deductibles, co-payments and co-insurance. Even patients with "good" insurance may be paying up to 50% of their total medical costs. These costs could cause serious financial strain on a family's budget and even could lead to financial bankruptcy.

Costly illnesses trigger approximately half of all personal bankruptcies and most of those that go bankrupt have health insurance.^{vii}



4 How to Fix It?

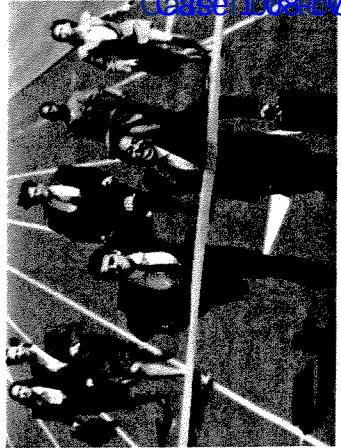
Competition is needed and consumers need choices. Consumers reward the providers who offer good values for the money and penalize those who do not. According to Regina Herzlinger, Professor of Business Administration at the Harvard Business School, the same will happen in healthcare.^{iv}

In the 1970's, the American automobile manufacturers controlled over 90% of the market. By 1990, Japanese cars, which continued to dominate the best-value-for-the-money ratings, had significantly increased their market share. But the Americans improved quality and by 2000, U.S. cars equaled European ones in reliability; the Japanese cars had only a small edge. This was quite a change from 1980, when U.S. cars were three times as unreliable as those produced by the Japanese and twice as unreliable as European vehicles.^v

Today, automobile prices are the lowest in two decades, while automobile quality is at an all-time high. In 1991, for example, the average family required 30 weeks of income for the purchase of a new vehicle; but by 1999, a new vehicle required only 24 weeks of their income – a 20% decline.^{vi}

Why does the car market work so well – increasing quality, expanding consumer ownership, decreasing price – in contrast to the healthcare markets, where cost increases substantially outstrip income increases; where quality is unknown; and where prices are highest for the uninsured, those least able to pay? The car market succeeds for several reasons:

1. Consumers are the buyers and consumers have choices.
2. Manufacturers set prices according to market demands and competition.
3. Consumers have access to excellent information on both prices and quality from private sector organizations, such as Consumer Reports and J.D. Power.



All of these attributes are missing in the hospital market. The hospitals sell mostly to third-party insurers, not to individual consumers. Hospitals are encouraged to maintain artificially high charges in order to minimize the effects of discounts demanded by third-party payers, which are minimal in the Albany market. Because almost all the third-party insurers demand discounts off list prices, hospitals raise their prices to convince the insurers that they are receiving substantial discounts.

Consumers lack market power because of the healthcare monopoly that is sponsored through Georgia's archaic Certificate of Need law. In Albany, we lack choices for



medical care due to the constraints that Certificate of Need (CON) places on competition. Needless to say, we pay more for those services that are regulated by CON.

What can you do to help control high health care costs?

The healthcare industry has been shielded from consumer pressure – by employers, insurers, and the government. Costs have subsequently exploded as choices have narrowed. For businesses and consumers in Albany, healthcare has become a lose-lose proposition as we pay too much, and receive too little.

There are solutions - loosening the CON law to promote competition, encouraging innovation and the removal of exclusivity requirements by hospitals when they negotiate with third party administrators. If consumers were allowed choices, then healthcare providers would have to compete by providing the best value, highest quality services for the best price, just like other sectors of the free-market system.

When consumers control any market, competitive forces spur productivity and innovation, quality improves, choices expand, and prices fall. Lowering healthcare costs would be the same as giving you a raise, except it will help everyone in Albany. It's like putting money in your pocket and your neighbors' too.



Our challenge to you is to examine your own situation.

- ☛ Are your healthcare costs already too high and climbing fast?
- ☛ Are out-of-line healthcare costs affecting your ability to expand your business and weakening your competitive edge?
- ☛ Would you like more choice and better quality with regard to healthcare for your employees or for yourself?

If so, become a member of the Coalition for Affordable and Competitive Healthcare by signing up today. No costs involved, just fill out the contact information below and give it back to one of us or tear out along the perforation, fold, tape closed and mail (address pre-printed on reverse side)

Please Print

Name: _____	Business: _____
Address: _____	Address: _____
Phone: _____	FAX: _____
Email: _____	

I want to support the effort for competitive and affordable healthcare for southwest Georgia and become a member of CACH.

Signature: _____

ⁱ For more information about Ingenix go to www.ingenix.com

ⁱⁱ Strunk and Ginsburg in MedPAC Report to the Congress: Medicare Payment Policies, March 2005, Chapter 1, p.8. See also the National Survey of Employer Sponsored Health Plans, 2005, Mercer Human Resource Consulting, November 21, 2005. For addition information, visit www.mercerhc.com

ⁱⁱⁱ Market Watch, Illness and Injury As Contributors To Bankruptcy by David U. Himmelstein, Elizabeth Warren, Deborah Thorne, and Stefie Woolhandler, Health Affairs, Feb. 2005

^{iv} Testimony Before the Subcommittee on Oversight of the House Committee on Ways and Means, Statement of Regina E. Herzlinger, Nancy R. McPherson, Professor Harvard Business School, Boston, MA, June 22, 2004. Professor Regina E. Herzlinger is the author of the best-selling Market-Driven Health Care (Cambridge, MA: Perseus, paperback, 2000) and Consumer-Driven Health Care (San Francisco, CA: Jossey-Bass, 2004)

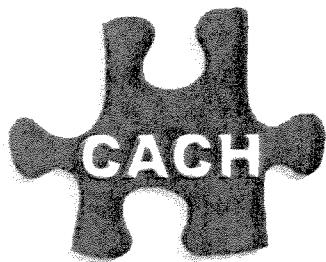
^v "Twenty Years of Consumer Reports Survey Show Astounding Gains," Consumer Reports, April 2000, p. 12
^{vi} Auto Affordability Index, August 21, 2003

Exhibit D 6 of 6

PLACE
STAMP
HERE

CACH
P.O. Box 72451
Albany, GA 31708

Coalition for Affordable and Competitive Healthcare



The missing piece of the Albany Healthcare puzzle